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MEMORANDUM

Date November 15, 1978

To Elizabeth L. Scull, President, County Council  
From James P. Gleason, County Executive  
Subject Bill No. 37-78, Cost-of-Living Adjustments

I was shocked to learn of the Council's action yesterday in supporting an amendment to Bill No. 37-78 which effectively removes any guarantee to the employees of the County Government of an essential part of our overall compensation policies. The amendment supported by Council Members Menke, Potter and Gelman, I believe, seriously undermines some important initiatives taken by the administration and heretofore supported by the County Council.

In May of this year, the Chief Administrative Officer presented to the Council a comprehensive proposal for revising the pay plan for Montgomery County employees. As you will recall, that pay proposal involved curtailment of increments from approximately five percent (5%) to two percent (2%), extending the range of pay by eliminating the provisions for longevity increments, and adjusting the pay plan annually by an amount not less than seventy-five percent (75%) of the Consumer Price Index. That pay plan has been successfully implemented.

It remained only for the County Council to adopt into law provisions for adjusting the pay plan annually by an amount not less than seventy-five percent (75%) of the Consumer Price Index.

In adopting Resolution No. 8-1935, on May 9, 1978, the Council resolved that "It shall be the policy of the Montgomery County Government effective July 1, 1979, to adopt annually the uniform salary plan for all classified employees of the merit system of the Montgomery County Government based on not less than seventy-five percent (75%) of the November Consumer Price Index for All Urban Consumers for the Washington, D. C. Area; and be it further resolved that the County Council requests the County Executive to submit legislation for its consideration to provide by local law for the implementation of the policy with regard to the annual uniform salary plan adjustment as aforementioned." It is my recollection that such resolution was passed unanimously by the County Council.

The seventy-five percent (75%) Consumer Price Index adjustment annually is an extremely important part of our overall pay system, as I outlined to you in May. This government has taken a rather extreme action in reducing the amount of our annual merit increments from five percent (5%) to two percent (2%)--the lowest in this metropolitan area and among the lowest among local governments in the country. No other agency supported by County tax resources has made similar efforts.

Bill No. 37-78, Cost-of-Living Adjustments  
November 15, 1978  
Page Two

This was done deliberately. You will recall that under the old pay system some forty percent (40%) of our employees had already reached the maximum of the normal steps of the pay grade (excluding longevities), resulting in a situation where our most experienced and valued employees received only a cost-of-living adjustment annually, which was normally provided at the "eleventh hour" of the budget deliberation process, many times influenced by special interest and other pressure groups and certainly without a deliberate systematic method of development.

We then made a conscious decision to place most of our salary resources toward minimizing the adverse affects of inflation borne by all employees.

As I indicated to you in May, our reduced increment policy results in the next five fiscal years savings amounting to some seven million dollars (\$7,000,000). Our employees have been informed of this and understand it. However, it is extremely important that they be assured that the policy of the County Government will be to afford some protection against some of the ravages of inflation.

I am not persuaded by the arguments that an unconditional adjustment to the salary schedule unnecessarily preempts the flexibility for future Councils and other elected officials.

To include the limiting language making such adjustment subject to availability of funds seems to me to be an unnecessary diminishment of the stated policy of the County Government and seriously jeopardizes the other segments of a comprehensive pay policy.

The programs and services offered to the County citizens are necessarily carried out by people. Even if the scope and extent of such services have to be curtailed with the resulting layoff of some employees, it becomes more critical that those who remain to carry out the services and programs be compensated adequately and fairly. There is no doubt that such potential curtailments will result in a demand for even greater work productivity and dedication on the part of our employees.

Therefore, I strongly request and implore the Council to reconsider their action at the next possible legislative opportunity. Without such reconsideration, I intend to veto Bill No. 37-78 in its present form since this administration cannot be a party to violating an implicit promise made to all our County employees. Further, I will ask the Chief Administrative Officer to prepare, for your approval, an amended general pay schedule restoring the former pay policies concerning increments and longevities.

Concerning the question of reconsideration, I have asked the County Attorney to comment on the circumstances on which reconsideration could be effected. I have attached such comments for your consideration.

Bill No. 37-78, Cost-of-Living Adjustments  
November 15, 1978  
Page Three

I believe it is not asking too much then to place an unconditional annual cost-of-living adjustment up front before all other priorities have been established and to recognize that no County program or service to our citizens can be effective without our body of dedicated and motivated public servants.

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Attachment